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Update on Argentina's Organic Sector 1998

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Report Highlights:

Organic production in Argentina has shown tremendous growth in recent years.

Through public and private initiatives, Argentina has become a major competitor in the world organics market. As the demand for organic products increases, Argentina will continue to expand the sector within the country.

Includes PSD changes: No
Includes Trade Matrix: No
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Executive Summary

Within the agricultural sector in Argentina, organic production is one of the areas that has shown considerable growth in the last few years. Since 1992, the total area devoted to certified organic products has increased by 4,600 percent from 5,000 hectares to over 231,000 hectares by 1997. Exports total 85 percent of organic production and the current growth rate for foreign sales is an average 25 percent per year. The largest market for Argentine products is the European Union, accounting for almost 83 percent of total exports. The United States is second with 17 percent. In Argentina there are approximately 400 companies and agricultural establishments authorized to produce, commercialize and export organic products, the most important being grains and oilseeds, fruits, vegetables, and beef. The growth and importance of the organic sector in Argentina has spurred the cooperation between public and private entities to develop a network and system of support for the promotion of organic goods.

Production

Although organic production accounts for less than one percent of total agricultural production in Argentina, the growth the sector has experienced in recent years is of great significance. The total area dedicated to certified organic production is 231,280 hectares of which 23,680 hectares are dedicated to products of vegetable origin and 207,600 hectares to livestock. Since 1995, the total area designated for organic production has more than doubled. Moreover, between 1996 and 1997, total surface area for vegetable production increased by 30 percent. Products of animal origin, however, remained at the same level as the previous year.

The variety of climates throughout the country make it possible to produce a wide range of organic products. In 1997, of the total harvested crops in the organic sector, the most important were grains and oilseeds (77% of the total), second were cash crops (17% of the total), and third were horticultural products. The main products produced in the group of grains and oilseeds were: corn, soybeans, sunflower seeds, sunflower oil, wheat, millet, rye, sorghum, oats, and flax. The main horticultural products were: onions, asparagus, potatoes, pumpkins, potherbs such as lettuce and Swiss chard. The main cash crops were: sugar cane, yerba mate, and tea. Also produced in Argentina is organic fruit which includes: apples, pears, plums, peaches, cherries and citrus fruit.

The majority of the area designated for livestock is dedicated to beef cattle. Other products of animal origin are milk, cheese and honey. A small percentage of area is also devoted to poultry farming.

Of the total harvested area in the country under organic certification, the regions with the largest concentration are: the Province of Buenos Aires (45%), the Province of Cordoba (11%), and the Province of Entre Rios (7%). The main regions for livestock production are in the Provinces of La Pampa and Buenos Aires which together account for more than 62% of the total surface area dedicated to such activity.

In 1997 a total of almost 12,600 tons of certified organic products were commercialized. This figure denotes an important increase in activity with respect to 1996 where 7,400 tons of certified products for commercialization were registered.

The majority of production of organic products is not done under contract. Private companies may have contracts with individual producers but it is not common. Nor does there exist a very large organic processing sector in Argentina. Most of the processing that is done is of fibers and other raw materials. There are some processed products, however, that have shown an increase in recent years namely: olive oil, wine, sunflower seeds, bakery products and herb tea (yerba mate).

Export

Government data from 1997 indicates that 85% of organic production in Argentina is for export and the remaining 15% is domestically consumed. The main products for export are: fruit, grains and oilseeds, juice, olive oil and olives. The products which have shown the greatest growth have been vegetables that rose from almost 300 mt in 1996 to almost 1,500 mt in 1997, grains which rose from 700 mt in 1996 to 1,700 mt and cash crops which increased from 360 mt to almost 790 mt in 1997. The total volume of products of vegetable origin that were exported was 10,695 mt.

Of the products for export, nearly 83% are destined for the European Union (specifically to Holland, Great Britain, Germany, Belgium, France and Sweden) and 17% for the United States. Recently, Japan has also become a destination for several Argentine organic products.

Of the exports to the European Union in 1997 (8,820 mt), 49% of products were grains and oilseeds (86% of which were corn, soy and sunflower seeds), 41% were fruit (93% of which were apples, pears, oranges), and the remainder were vegetables (94% of which were onions, asparagus, and garlic) and cash crops (mainly raisins and wine and to a lesser degree products manufactured from oranges such as concentrated juice).

Of the 1997 exports to the United States (1,850 mt), 71% were fruit (80% of which were pears and 20% apples) and 27% were manufactured products (60% olive oil, 21% grape juice, 12% apple juice and also concentrated pear juice and olives).

The production of organic honey (174 mt) was also mainly for export, 80% of production or 143 mt, was destined for countries of the European Union.

Of the total 268 mt of beef produced, 80% of the certified volume (211 mt) was for export, of which 92% (195 mt) went to the European Union. Other destinations were the rest of Europe and the United States.

The export of organic meat is conducted by the group Ecopampa, which has established itself as the first and only exporter of certified organic meat. It encompasses 28 producers covering 135,000 hectares in 6 provinces. The major purchasers are supermarkets, both in the domestic market and abroad.

Argentina increased the value of its organic exports from 1.5 million dollars in the 1991-92 cycle to almost 20 million dollars in the 1995-96 cycle. According to estimates, at the end of the millennium shipments of Argentine organic products will surpass 100 million dollars.

To date, there does not exist in the National Tariff Nomenclature a code for products of organic origin nor are there official figures that determine the total of exportation nor the total amount of completed operations. Information is scarce and difficult to obtain. Most data is based on information from certifying companies and the registers of governmental agencies.

Domestic Consumption

Domestic consumption of organic products accounts for only 15% of the quantity produced. Most of the market is in the Federal Capital of Buenos Aires as organic consumption in Argentina is concentrated in the upper/upper-middle sector. Argentina does not import organic products from other countries, as the demand in the domestic market is quite small. Retailing is not restricted to natural product shops. A range of nearly 50 organic products can be found in six supermarket chains, each with several branches under separate display. Jumbo and Carrefour, two of the larger and important chains, have the highest representation of organic products. The introduction into supermarkets is seen as the best prospect for expansion of the domestic market.

Carrefour has recently developed an initiative to produce organic products and commercialize them under their own label, "Carrefour Bío," through contracts with small organic farms. This, in effect, shows the increased interest in the organic market and the prospects for growth in Argentina. In addition, several large producers have devoted part of their production to organic as a way of gaining access to the local markets. The most significant activity has been in milk production.

The most important products grown for domestic consumption were vegetables, mainly asparagus, lettuce, pumpkins and beetroot. Of fruits the most important were citrus (oranges, mandarins and lemons). Other important products for consumption in 1997 were yerba mate, olive oil, and aromatic herbs. Of the products of animal origin, beef, chicken, milk, cheese and honey were consumed domestically.

History of Regulation and Promotion in Argentina

In June 1992, the Argentine Republic was the first in South America to establish the regulation of organic, ecological and biological production patterned after existing IFOAM (International Federation of Organic Agriculture Movements) and European Union standards. Within six months, Argentina was given third country status, or equivalency to the European Union. As a result, comparable certification requirements of organic products have allowed Argentina to export more freely to the countries of the European Union and have eliminated the petition process that had previously been in effect, an act which has proven to be quite advantageous to Argentina. The status of equivalency has been valuable to both the exporter and importer; work has been simplified and products hold an assurance that they can be commercialized as organic.

Argentine regulations and policies for organic production are established by the Secretariat for Agriculture, Livestock, Fisheries and Food (in Spanish SAGPYA). Initially, the official control and execution of the regulations was delegated to two decentralized, dependent official entities, the Argentine Institute of Vegetable Health and Quality (in Spanish IASCAV) and the National Service of Animal Health (in Spanish SENASA). Together they established the National Register of Certifying Firms. Today, however, SENASA is the only entity in charge of regulations and control and has since been renamed the National Service of Quality and Agricultural Sanitation. SENASA holds two separate registers: one for products of animal origin and the other for vegetable production. In sum, the Argentine government's role involves registering qualified certifying firms, developing and implementing rules for organic production, and controlling the certifying process.

on the promotion side, the Secretariat, by means of its Project for Export Promotion of Non Traditional Agricultural Production (in Spanish PROMEX), plays an active role by participating in international forums for organic production. PROMEX has carried out four market surveys as well as a continuous survey on the pricing

of organic products, specifically primary products. Other promotional activities have included the finance of several export projects within private firms and the organization of seminars throughout the country on organic production involving international specialists. PROMEX has also enabled producers, exporters, technicians, traders, and certifiers to attend the conferences and trade fairs of IFOAM; BioFach in Germany; Expo East and Expo West in the U.S.

In addition, the Secretariat of Agriculture has put into effect a National Program for the Development of Organic Production (in Spanish PRONAO). The mission of this program is to promote organic products at the domestic level, increase the number of producers dedicated to this activity, locate new markets, and create a well-informed consumer. To more effectively implement their goals, technical subcommissions were created that develop the following assignments: Finance, Investigation and Training, Certification and Norms, Diffusion, and Marketing. In addition, an Advisory Commission for Organic Production was formed by members of both the private and public sector to help impel the work of PRONAO.

Along with the Secretariat, the ministry of Foreign Affairs has carried out activities relating to organic production through the Export-Ar Foundation. The many activities of Export-Ar include, the organization of commercial missions to various expositions, the exhibition of Argentine products at the First Organic world Fair, and the publication of a directory of Argentine Organic Products.

The Secretariat of Agriculture is also responsible for the work of the National Institute of Agricultural Technology (in Spanish INTA). INTA conducts research on organic production, develops new technology and provides training.

The organization of the private sector began with the creation of the Argentine Movement for Organic Production (in Spanish MAPO) in 1995. MAPO is made up of scientists, technicians, producers, certifiers, business managers, and academics, and is therefore, a strong representative of the organic sector in Argentina (other organizations also exist but none compare in size or scale of activity). The creation of MAPO was one of the main factors which allowed the signing of an agreement for international promotion of organic produce, together with Export-Ar and PROMEX-SAGPYA. This agreement precipitated the design of a common strategy for the promotion of Argentine exports from both the public and private sectors, thus optimizing investment and avoiding the duplication of efforts. MAPO works very closely with governmental agencies to coordinate projects which help further organic interests in Argentina. An important aspect of their work is the dissemination of information, mainly through discussion and briefings with people in the industry. This year, the main focus of MAPO has been on the 1998 IFOAM Scientific Conference which will be held November 15-21 in the city of mar del Plata, in the Province of Buenos Aires. MAPO has been in charge of the organization of the event, along with the sponsorship of the Province of Buenos Aires's Ministry of Agricultural Affairs, and the support of the Secretariat for Agriculture, Livestock, Fisheries and Food and its decentralized entities. The presence of this organic world event recognizes Argentina's importance in the organic sector.

Certification and Data

To certify a production as organic, the producer must first contact SENASA to receive the official regulations and the list of certifying companies from the Register of Certified Entities of Organic Products. Next the producer must contact one of the companies and come to an agreement on the production monitoring. To date, there are eleven certifying companies of organic products that operate in Argentina. Certifying companies must be authorized by SENASA and must fulfill all of the formal requirements. However, Argencert S.R.L. and the

International Agricultural Organization (in Spanish OIA) control the majority of the total certified area.

Both are the only Argentine companies whose certification is recognized by the European Union. The other certifiers concentrate on either the domestic market or the United States and Japan. They may export to Europe, but only through agreements with international certifiers.

It is important to note that the Argentine government does not subsidize farmers to convert to organic production, nor does it give financial support during the transition period between conventional and organic farming. All conversion is selffinanced and is left to the discretion of the producer. The government via the SGPYA does, however, promote organic production through its established network of support. A number of public-private efforts exist in market research, education, and export promotion.

In recent years, as the demand for organic products increased, reconversion to organic production began to accelerate. In 1996, in the province of Misiones, the local government, via the Institute of Agro Industrial Promotion (in Spanish IFAI), embarked on large scale efforts of reconversion from conventional to organic sugarcane production. IFAI took on the initiative of furthering the change and of the commercialization of the production. Currently, IFAI has negotiated the sale of sugar from the first three years with the U.S. company, Florida Crystal. The success of the program is however an isolated event in that it was specifically designed for the region due to the economic situation and it was enacted on the local and not federal level.

Reconversion is also encouraged by the private sector. From its corporate position, La Serenisima does something similar with the producers of organic milk to promote and stimulate the maintenance of the production. Once again, these are very isolated efforts. Aside from large companies which have the funds to promote organic production or reconversion, no large scale efforts are in effect.

Prices

organic foods carry a price premium above conventional items in a range that varies from product to product. The following is a brief sample of price differences between organic and conventional products in Argentina. The data, however, does not show the smallest differences in price which can be found between fruits and horticultural products.

August 1997 Cost of Production

Product	Organic	Conventional	% Difference
Corn	176.20 \$/ha	144.83 \$/ha	21.7
Sunflower	146.97 \$/ha	118.83 \$/ha	23.7
Soy	221.85 \$/ha	183.59 \$/ha	21.0
Wheat	128.52 \$/ha	123.18 \$/ha	4.3

(Source: Secretariat for Agriculture, Livestock, Fisheries and Food, December 1997)

Conclusion

The organics movement in Argentina has been growing at an astonishing pace. Even without subsidization, farmers have been steadily increasing their surface area devoted to organic production. This in part may be due to the concrete actions Argentina has taken to organize formal relations between the public organizations and the organic production sector. The solid infrastructure of the organic sector in Argentina, is one of the tools which help it grow. The hosting of the upcoming IFOAM Scientific Conference is an important accomplishment for Argentina. In addition, an organic Law is in the process of being ratified by the Senate. If passed, Argentina will become the second country in the world, after Iceland, which has passed this type of law.

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